

**United State Department of State  
Bureau of Overseas Buildings Operations  
Industry Advisory Panel**

***Cost Management in a Changing  
Marketplace***

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**adidas**<sup>®</sup>  
GROUP

*adidas Group Brands*

 **adidas**<sup>®</sup>

 **TaylorMade**<sup>®</sup>

**adidas**<sup>®</sup>  
GROUP

  
ROCKPORT<sup>®</sup>

**Reebok**

**REAL ESTATE PORTFOLIO**

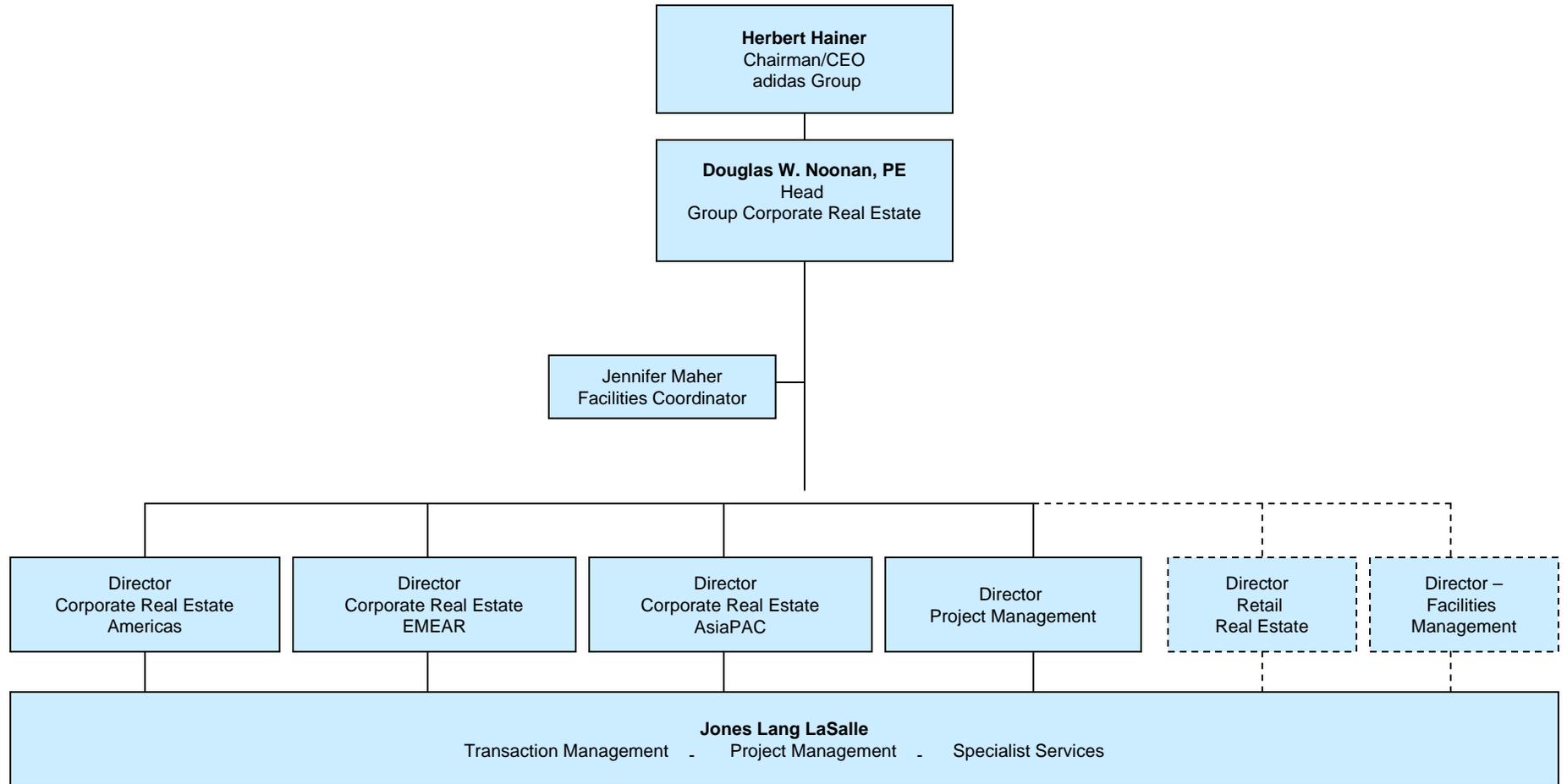
	<b>Locations</b>	<b>Square Footage</b>
<b>Offices</b>	<b>179</b>	<b>3,604,000</b>
<b>Distribution and Manufacturing</b>	<b>45</b>	<b>5,975,000</b>
<b>Retail Locations</b>	<b><u>900*</u></b>	<b><u>6,300,000*</u></b>
<b>Total</b>	<b>1124</b>	<b>15,879,000</b>

*\* Estimated*

**56 Countries**

**22,000 Employees**

# Organization



***Current Projects***

<b>Toronto, Canada</b>	<b>Office</b>	<b>120,000 SF</b>
<b>Colon, Panama</b>	<b>Distribution Center</b>	<b>110,000 SF</b>
<b>Sao Paulo, Brazil</b>	<b>Office</b>	<b>45,000 SF</b>
	<b>Distribution Center</b>	<b>275,000 SF</b>
<b>Amsterdam, Netherlands</b>	<b>Office</b>	<b>120,000 SF</b>
<b>Herzogenaurach, Germany</b>	<b>Office</b>	<b>385,000 SF</b>
	<b>Sports Center</b>	<b>165,000 SF</b>
<b>Dubai, UAE</b>	<b>Office</b>	<b>30,000 SF</b>
<b>Kiev, Ukraine</b>	<b>Distribution Center</b>	<b>165,000 SF</b>
<b>Moscow, Russia</b>	<b>Distribution Center</b>	
<b>New Delhi, India</b>	<b>Office</b>	<b>250,000 SF</b>
		<b>1,210,000 SF</b>

### **FREEHOLD**

Typical for strategic properties. Also used to achieve cost or schedule benefits in stable, low risk markets.

- Long term commitment
- Cost benefits
- Schedule benefits
- Investment

## *Freehold Examples*

Herzogenaurach, Germany (Corporate HQ)	Long Term Commitment
Boston, MA (Reebok HQ)	Long Term Commitment
Portland, OR (adidas America HQ)	Long Term Commitment
Montreal, Canada (Canadian HQ)	Cost/Schedule Control
Dubai, UAE (Emerging Markets HQ)	Cost Control
Shanghai, China (anticipated)	Investment

## *Leasehold Strategies*

Preferred approach when:

- Volatile business plan (high growth markets)
- Schedule and cost concerns
- High risk management concerns

Typically, we try to:

- Limit initial lease term but have multiple extension options
- Limit cash deposits by use of parent company guarantees
- Use permitted sites
- Design to market standards
- Limit customization
- Optimize building flexibility
- Hedge inflation and currency risks
- Utilize open book approach with guaranteed maximum price and shared savings
- Share “super profits” when project is sold

## **Risk Management**

- Business risk → Short lease terms
- Development risk → Penalties
- Schedule risk → Penalties
- Cost risk → Market standards and open book, GMP
- Market volatility → Short term leases  
Optimize lease and building flexibility

**THANK YOU**